

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AGR-20 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 9814

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 6847

E. O. 11652: GDS

TAGS: EAGR,ETRD, EGEN, EEC, IT

SUBJECT: ITALIAN REACTION TO POTENTIAL US AGRICULTURAL EXPORT CONTROLS

REF: (A) STATE 135419; (B) ROME 6412

1. SUMMARY. WHILE PRIVATE SECTOR UPSET BY CURRENT US AGRICULTURAL EXPORT CONTROLS AND WORRIED BY PROSPECTS FURTHER US MEASURES, GOI HAS SO FAR REACTED IN CALM,LOW-KEY MANNER. LATTER MAY CHANGE TO MORE ACTIVE CONCERN, HOWEVER, NOW THAT NEW GOVT INSTALLED, ESPECIALLY IF US MEASURES RESULT IN HIGHER PRICE LEVELS IN ITALY.US ACTIONS WEAKEN GOI ABILITY OPPOSE FRENCH VIEWS ON CAP AND MULTILATERAL TRADE NEGOTIATIONS. NO INDICATIONS TO DATE OF GOI POLICY SHIFTS ON CAP, MULTILATERAL TRADE NEGOTIATIONS OR INTERNATIONAL
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MONETARY NEGOTIATIONS AS RESULT OF US AGRICULTURAL EXPORT MEASURES,

BUT FUTURE DEVELOPMENTS COULD LEAD TO POLICY REVIEW WITH RESPECT TO CAP AND MULTILATERAL TRADE NEGOTIATIONS.END SUMMARY.

2. GOI REACTION TO US AGRICULTURAL EXPORT CONTROLS CONTINUES CALM AND LOW-KEY. NOW THAT NEW GOVT INSTALLED, HOWEVER, HIGH-LEVEL OFFICIALS MAY BE ABLE FOCUS ON RECENT AND PROSPECTIVE US ACTIONS AND THEIR IMPLICATIONS FOR ITALY. CONSEQUENTLY, GOI ATTITUDE MAY CHANGE FROM "BENIN NEGLECT" TO ACTIVE CONCERN.

3. AGATT OFFICE HAS RECEIVED EXPRESSIONS OF CONCERN AND INQUIRY ABOUT EMBARGO, MOSTLY AS REGARDS SOYBEANS BUT ALSO CONCERNING OTHER FEED INGREDIENTS FROM GROUPS SUCH AS GRAIN IMPORTERS ASSOCIATION, ASSALZOO, ASSOCIATION POULTRY PRODUCERS, POULTRY ASSOCIATION, VARIOUS AGRICULTURAL AND FARM ASSOCIATIONS, THE GRAIN TRADE IN MILAN, AS WELL AS FROM INDIVIDUAL IMPORTERS SUCH AS SREYFUS, CONTINENTAL GRAIN, CARGILL, BUNGE, AND FERRUZZI. WHILE THERE HAS BEEN SOME UNDERSTANDING AND CONCERN ABOUT U.S. PRICE INFLATION AND WORLD SUPPLY SITUATION AND GENERAL BELIEF THAT EMBARGO WILL BE LIFTED WITH NEW HARVESTS, CRITICISMS HAVE PREDOMINATED: THAT US BECOMES AN UNRELIABLE SUPPLIER, AND THAT AFTER PRESSING SO HARD IN SALE EFFORTS IT THEN PULLS RUG OUT FROM UNDER THOSE DEPENDENT ON U.S. FOR FEED.

4. ITALY MUST DEPEND ON IMPORTS FROM MUCH OF ITS FEED AND FOOD AND THUS HAS NO ESCAPE. FOR EXAMPLE, ONE-QUARTER OF NATIONAL REQUIREMENTS OF CORN CURRENTLY IMPORTED FROM US. HIGHER PRICED AGRICULTURAL IMPORTS WILL HAVE RELATIVELY RAPID ADVERSE EFFECT ON PRICE LEVELS AND WILL EXPAND EXISTING TRADE DEFICIT. POLITICAL CONSEQUENCES IN COUNTRY WHERE CONSUMER PRICE AND FOOD PRICE INDEXES ALREADY UP ELEVEN PERCENT IN LAST YEAR WOULD BE MOST UNWELCOME, SINCE NEW GOVT'S FIRST PRIORITY IS CONTROLLING INFLATION.

5. TO DATE RESPONSIBLE PRESS HAS NOT TAKEN ALARMIST VIEW OF SITUATION, WITH STRAIGHT NEWS REPORTING ON CURRENT MEASURES AND REASONS THEREFOR. RECENTLY SOME ATTENTION GIVEN TO POSSIBILITY OF FURTHER US ACTIONS, ESPECIALLY RE CORN. POTENTIAL INFLATIONARY EFFECTS OF CONTINUED US EMBARGO NOTED. AGRICULTURAL JOURNALISTS EMPHASIZE HOW CURRENT US MEASURES HINDER EFFORT TO DEVELOP ITALIAN LIVESTOCK AND POULTRY BREEDING INDUSTRY WHILE PUSHING UP ALREADY UNREASONABLY HIGH MEAT PRICES.

6. EMBASSY HAS HAD NO INDICATIONS GOI IS CONSIDERING CHANGES IN CONFIDENTIAL

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AGRICULTURAL OR TRADE POLICY. BOTH GOI OFFICIALS AND PRIVATE SECTOR REPS, HOWEVER, EMPHASIZE US ACTIONS PRESENTED FRENCH WITH GOLDEN OPPORTUNITY. AS RESULT, ITALY WILL FIND IT MORE DIFFICULT RESIST FRENCH LINE ON CAP AND MULTILATERAL TRADE NEGOTIATIONS. THIS ESPECIALLY UNFORTUNATE SINCE ITALY TENDS MORE TO REACT THAN LEAD IN EC DISCUSSIONS/DECISIONS ON TRADE POLICY ISSUES. IF PRESENT OR FUTURE US AGRICULTURAL EXPORT CONTROLS LEAD TO SITUATION DESCRIBED PARA 4 ABOVE, POLICY CHANGES MAY BE ACTIVELY CONSIDERED BY

GOI.

7. US AGRICULTURAL EXPORT CONTROLS HAVE HAD NO EFFECT TO DATE ON
ITALIAN POSITION RE INTERNATIONAL MONETARY NEGOTIATIONS.
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